

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

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LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Angie Kemp	Board President	2015
Scott Wilson	Board Vice President	2017
Pam Lee	Board Member	2015
Bob Nowak	Board Member	2015
Eric Schlutz	Board Member	2017

School Officials

Mike Van Sickle	Superintendent	2015
Karron Stineman	District Secretary/Treasurer	Indefinite
Lynch Dallas	Attorney	Indefinite

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Independent Auditor's Report

To the Board of Education of
Louisa-Muscatine Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Louisa-Muscatine Community School District, Letts, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Louisa-Muscatine Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Louisa-Muscatine Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisa-Muscatine Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 27, 2016 on my consideration of Louisa-Muscatine Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Louisa-Muscatine Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Louisa-Muscatine Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 Financial Highlights

- General Fund revenues increased from \$7,607,287 in fiscal 2014 to \$8,059,089 in fiscal 2015 and General Fund expenditures decreased from \$8,126,246 in fiscal 2014 to \$8,089,601 in fiscal 2015. The District's General Fund balance decreased from \$1,589,347 in fiscal 2014 to \$1,558,835 in fiscal 2015, a 2% decrease.
- The increase in General Fund revenue can be attributed, in part, to increased state aid.
- The decrease in General Fund expenditures can be attributed to tighter fiscal management of spending in order to achieve the school board goals of a balanced budget.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Louisa-Muscatine Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Louisa-Muscatine Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Louisa-Muscatine Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the

year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Louisa-Muscatine Community School District Annual Financial Report

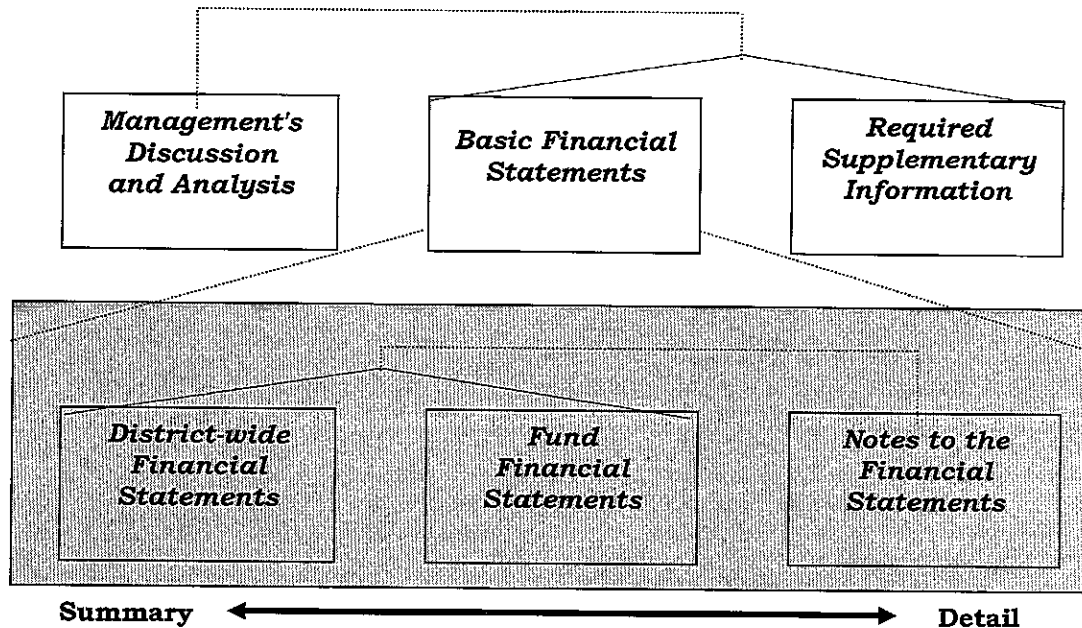


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool/daycare programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and daycare/preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Daycare/Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

Condensed Statement of Net Position

	Condensed Statement of Net Position						
	Governmental		Business type		Total	Total	
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 10,023,390	\$ 8,805,831	\$ 229,780	\$ 192,864	\$ 10,253,170	\$ 8,998,695	13.94%
Capital assets	<u>10,345,719</u>	<u>10,828,164</u>	<u>167,463</u>	<u>193,215</u>	<u>10,513,182</u>	<u>11,021,379</u>	-4.61%
Total assets	<u>20,369,109</u>	<u>19,633,995</u>	<u>397,243</u>	<u>386,079</u>	<u>20,766,352</u>	<u>20,020,074</u>	3.73%
Deferred outflows of resources	<u>542,676</u>	<u>-</u>	<u>24,834</u>	<u>-</u>	<u>567,510</u>	<u>-</u>	100.00%
Long-term liabilities	8,851,870	5,543,181	125,910	-	8,977,780	5,543,181	61.96%
Other liabilities	<u>1,043,749</u>	<u>1,029,976</u>	<u>36,931</u>	<u>39,404</u>	<u>1,080,680</u>	<u>1,069,380</u>	1.06%
Total liabilities	<u>9,895,619</u>	<u>6,573,157</u>	<u>162,841</u>	<u>39,404</u>	<u>10,058,460</u>	<u>6,612,561</u>	52.11%
Deferred inflows of resources	<u>4,396,978</u>	<u>2,856,842</u>	<u>58,390</u>	<u>-</u>	<u>4,455,368</u>	<u>2,856,842</u>	55.95%
Net position							
Net investment in							
capital assets	5,045,719	5,528,164	167,463	193,215	5,213,182	5,721,379	-8.88%
Restricted	4,018,555	3,310,689	-	-	4,018,555	3,310,689	21.38%
Unrestricted	<u>(2,445,086)</u>	<u>1,365,143</u>	<u>33,383</u>	<u>153,460</u>	<u>(2,411,703)</u>	<u>1,518,603</u>	-258.81%
Total net position	<u>\$ 6,619,188</u>	<u>\$ 10,203,996</u>	<u>\$ 200,846</u>	<u>\$ 346,675</u>	<u>\$ 6,820,034</u>	<u>\$ 10,550,671</u>	-35.36%

The District's total net position decreased by approximately 35%, or \$3,730,637, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$707,866 or approximately 21% over the prior year. The increase can be attributed to accumulating funds in the Debt Service Fund for the payment of the tax exempt bond due in 2024.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$3,930,306, or approximately 259%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,133,557 and \$162,681, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service	\$ 852,523	\$ 826,007	\$ 296,172	\$ 285,704	\$ 1,148,695	\$ 1,111,711	3.33%
Operating grants	1,271,297	1,270,269	213,457	198,496	1,484,754	1,468,765	1.09%
General revenues							
Property tax	3,274,804	3,028,067	-	-	3,274,804	3,028,067	8.15%
Statewide sales, services and use tax	724,253	666,749	-	-	724,253	666,749	8.62%
Unrestricted state grants	3,383,857	2,970,934	-	-	3,383,857	2,970,934	13.90%
Contributions and donations	1,472	-	-	-	1,472	-	100.00%
Unrestricted investment earnings	55,315	48,426	202	275	55,517	48,701	14.00%
Other	114,443	44,570	-	-	114,443	44,570	156.77%
Total revenues	9,677,964	8,855,022	509,831	484,475	10,187,795	9,339,497	9.08%

Program expenses							
Instruction	5,587,975	5,723,562	-	-	5,587,975	5,723,562	-2.37%
Support services	2,563,359	2,661,679	-	-	2,563,359	2,661,679	-3.69%
Non-instructional programs	13,833	11,772	492,979	520,006	506,812	531,778	-4.69%
Other expenses	944,692	966,651	-	-	944,692	966,651	-2.27%
Loss on disposal of capital assets	<u>19,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,356</u>	<u>-</u>	100.00%
Total expenses	<u>9,129,215</u>	<u>9,363,664</u>	<u>492,979</u>	<u>520,006</u>	<u>9,622,194</u>	<u>9,883,670</u>	-2.65%
Change in net position	548,749	(508,642)	16,852	(35,531)	565,601	(544,173)	-203.94%
Net position beginning of year, as restated	<u>6,070,439</u>	<u>10,712,638</u>	<u>183,994</u>	<u>382,206</u>	<u>6,254,433</u>	<u>11,094,844</u>	-43.63%
Net position end of year	<u>\$ 6,619,188</u>	<u>\$10,203,996</u>	<u>\$ 200,846</u>	<u>\$ 346,675</u>	<u>\$ 6,820,034</u>	<u>\$10,550,671</u>	-35.36%

In fiscal year 2015, property tax and unrestricted state grants accounted for 69% of governmental activities revenue while charges for service, and operating grants accounted for almost 100% of business type activities revenue. The District's total revenues were \$10,187,795 of which \$9,677,964 was for governmental activities and \$509,831 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% increase in revenues and a 3% decrease in expenses. The increase in revenues can be attributed, in part, to an increase in state aid, property tax revenue and federal grant receipts. The decrease in expenditures is primarily a result of budget/expense reductions.

Governmental Activities

Revenues for governmental activities were \$9,677,964 and expenses were \$9,129,215 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014- 2015	2015	2014 (Not restated)	Change 2014- 2015
Instruction	\$ 5,587,975	\$ 5,723,562	-2.4%	\$ 3,785,043	\$ 3,965,716	-4.6%
Support services	2,563,359	2,661,679	-3.7%	2,558,332	2,633,266	-2.8%
Non-instructional programs	13,833	11,772	17.5%	13,833	11,772	17.5%
Other expenses	<u>944,692</u>	<u>966,651</u>	-2.3%	<u>628,831</u>	<u>656,634</u>	-4.2%
Total expenses	<u>\$ 9,109,859</u>	<u>\$ 9,363,664</u>	-2.7%	<u>\$ 6,986,039</u>	<u>\$ 7,267,388</u>	-3.9%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$852,523.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,271,297.
- The net cost of governmental activities was financed with \$3,999,057 in property and other taxes and \$3,383,857 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2015 were \$509,831, representing a 6% increase over the prior year, while expenses totaled \$492,979, a 6% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool/Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The increase in revenue can be attributed, in part, to increased student meal and ala carte sales. The decrease in expenditures for business type activities can be attributed to a decrease in personnel and food costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Louisa-Muscatine Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balances of \$5,530,958, well above last year's ending fund balances of \$4,708,341.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,589,347 in 2014 to \$1,558,835 in fiscal 2015. The District's slight decrease in General Fund financial position is attributable to expenditures exceeding revenues. The District was extremely close to meeting its goal of a balanced budget.
- The Capital Project - Statewide Sales, Services and Use Tax Fund balance decreased from \$2,900,335 in fiscal 2014 to \$1,350,573 in fiscal 2015. This balance declined due to the accumulated balance transfer of sinking funds to the debt service fund for retirement of the tax exempt bond in 2024.
- The Debt Service Fund balance increased from zero in 2014 to \$ 2,066,120 in 2015. This increase was due to funds being transferred and held in the fund for future principal and interest payments on long-term debt.

Proprietary Fund Highlights

Enterprise Fund net position increased from \$183,994 at June 30, 2014 to \$200,846 at June 30, 2015, representing an increase of approximately 10%. This increase was due to a combination of increased sales and decreased operating costs. However, the District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

During the fiscal year, Louisa-Muscataine Community School District did not amend its annual budget.

The District's total revenues were \$91,924 less than total budgeted revenues, a variance of less than 1%. The budget is certified in the spring prior to the beginning of the fiscal year. At that time there are many things still unknown for certain, such as grant amounts, open enrollment tuition and other miscellaneous sources of income.

Overall total expenditures were \$880,049 less than budgeted. It is the District's practice to budget expenditures at levels up to the maximum authorized spending authority for most funds, then to control and manage spending through the line-item budget.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$10,513,182, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$535,926.

The original cost of the District's capital assets was \$22,012,395. Governmental funds account for \$21,577,933, with the remainder of \$434,462 accounted for in the Proprietary Funds.

The largest change in capital asset activity occurred in furniture and equipment category, from \$627,661 in 2014 to \$506,521 in 2015. The decrease was a result of disposal of some equipment and the annual depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 90,976	\$ 90,976	\$ -	\$ -	\$ 90,976	\$ 90,976	0.00%
Construction in progress	33,286	-	-	-	33,286	-	100.00%
Buildings and improvements	9,647,489	10,054,761	-	-	9,647,489	10,054,761	-4.05%
Improvements, other than buildings	234,910	247,981	-	-	234,910	247,981	-5.27%
Furniture and equipment	<u>339,058</u>	<u>434,446</u>	<u>167,463</u>	<u>193,215</u>	<u>506,521</u>	<u>627,661</u>	-19.30%
Totals	<u>\$10,345,719</u>	<u>\$10,828,164</u>	<u>\$167,463</u>	<u>\$193,215</u>	<u>\$10,513,182</u>	<u>\$11,021,379</u>	-4.61%

Long-Term Debt

At June 30, 2015, the District had \$8,851,870 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

This District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.8 million.

Figure A-7 Outstanding Long-term Obligations			
	Total District June 30,	Total Change June 30,	
	2015	2014 (restated)	2014-2015
Governmental activities			
QSCB Revenue bonds	\$ 5,300,000	\$ 5,300,000	0.00%
Termination benefits	171,714	126,359	35.89%
Net pension liability	3,228,327	4,607,524	-29.93%
Net OPEB liability	<u>151,829</u>	<u>116,822</u>	29.97%
	8,851,870	10,150,705	-12.80%
Business type activities			
Net pension liability	<u>125,910</u>	<u>180,342.00</u>	-30.18%
Total	<u>\$ 8,977,780</u>	<u>\$ 10,331,047</u>	-13.10%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- A critical piece of Iowa's school funding formula is enrollment. While class sizes have stabilized for most grades, a "bubble" class will graduate in 2016 that will result in a loss of approximately 20 students.
- The October 2015 certified enrollment count, which is the basis for funding FY17, decreased by 28.3 students.
- Historically, the District has entered into annual contracts with its collective bargaining units. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding reductions will be made to offset the cost of negotiated settlements and other cost increases.

- Starting in fiscal 2017, the district will receive approximately a \$230,000 Teacher Leadership and Compensation Grant.
- The magnitude of the cost to comply with the regulations of the Affordable Care Act will cause an increase in the cost to the district of employee health insurance.
- Supplemental State Aid (formerly Allowable Growth) was set at 1.25% for FY16 but has not yet been determined by the legislature for FY17, making financial planning difficult.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charles Domer, Board Secretary/Treasurer and Business Manager, Louisa-Muscatine Community School District, 14478 170th Street, Letts, Iowa 52754.

Basic Financial Statements

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,210,281	\$214,023	\$ 6,424,304
Receivables			
Property tax			
Delinquent	25,488	243	25,731
Succeeding year	3,184,283	-	3,184,283
Accounts receivable	226,741	-	226,741
Income surtax	339,660	-	339,660
Due from other governments	36,937	-	36,937
Inventories	-	15,514	15,514
Non-depreciable capital assets	124,262	-	124,262
Capital assets, net of accumulated depreciation	10,221,457	167,463	10,388,920
Total assets	<u>20,369,109</u>	<u>397,243</u>	<u>20,766,352</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>542,676</u>	<u>24,834</u>	<u>567,510</u>
Liabilities			
Accounts payable	105,158	894	106,052
Salaries and benefits payable	863,331	36,037	899,368
Accrued interest payable	75,260	-	75,260
Long-term liabilities			
Portion due within one year			
Termination benefits payable	74,645	-	74,645
Portion due after one year			
Termination benefits payable	97,069	-	97,069
Revenue QSCB bonds payable	5,300,000	-	5,300,000
Net pension liability	3,228,327	125,910	3,354,237
Net OPEB liability	151,829	-	151,829
Total liabilities	<u>9,895,619</u>	<u>162,841</u>	<u>10,058,460</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	3,184,283	-	3,184,283
Unearned revenue	-	6,958	6,958
Pension related deferred inflows	1,212,695	51,432	1,264,127
Total deferred inflows of resources	<u>4,396,978</u>	<u>58,390</u>	<u>4,455,368</u>

See notes to Financial Statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 5,045,719	\$167,463	\$ 5,213,182
Restricted for			
Categorical funding	218,986	-	218,986
Physical plant and equipment	411,037	-	411,037
Debt service	1,990,860	-	1,990,860
Student activities	47,099	-	47,099
School infrastructure	1,350,573	-	1,350,573
Unrestricted	<u>(2,445,086)</u>	<u>33,383</u>	<u>(2,411,703)</u>
Total net position	<u>\$ 6,619,188</u>	<u>\$200,846</u>	<u>\$ 6,820,034</u>

See notes to Financial Statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Governmental activities						
Instruction						
Regular instruction	\$ 3,492,439	\$ 687,518	\$ 873,383	\$ -	\$ (1,931,538)	\$ -
Special instruction	998,061	159,978	77,452	-	(760,631)	-
Other instruction	1,097,475	-	4,601	-	(1,092,874)	-
	<u>5,587,975</u>	<u>847,496</u>	<u>955,436</u>	<u>-</u>	<u>(3,785,043)</u>	<u>-</u>
Support services						
Student	248,477	-	-	-	(248,477)	-
Instructional staff	342,317	-	-	-	(342,317)	-
Administration	878,641	-	-	-	(878,641)	-
Operation and maintenance of plant	622,254	-	-	-	(622,254)	-
Transportation	471,670	5,027	-	-	(466,643)	-
	<u>2,563,359</u>	<u>5,027</u>	<u>-</u>	<u>-</u>	<u>(2,558,332)</u>	<u>-</u>
	<u>13,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,833)</u>	<u>-</u>
Non-instructional programs						
Other expenses						
Facilities acquisition	42,668	-	-	-	(42,668)	-
Long-term debt interest and administration costs	152,020	-	-	-	(152,020)	-
AEA flowthrough	315,861	-	315,861	-	-	-
Depreciation (unallocated) *	434,143	-	-	-	(434,143)	-
	<u>944,692</u>	<u>-</u>	<u>315,861</u>	<u>-</u>	<u>(628,831)</u>	<u>-</u>
Total governmental activities	<u>9,109,859</u>	<u>852,523</u>	<u>1,271,297</u>	<u>-</u>	<u>(6,986,039)</u>	<u>-</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs (continued)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Business type activities						
Non-instructional programs						
Food service operations	\$ 435,818	\$ 232,120	\$ 213,457	\$ -	\$ -	\$ 9,759
Daycare/preschool program	57,161	64,052	-	-	-	6,891
Total business type activities	492,979	296,172	213,457	-	-	16,650
Total	\$ 9,602,838	\$ 1,148,695	\$ 1,484,754	\$ -	(6,986,039)	16,650
						(6,969,389)

General Revenues

Property tax levied for						
General purposes						
Capital outlay						
Statewide sales, services and use tax	3,011,153				-	3,011,153
Unrestricted state grants	263,651				-	263,651
Contributions and donations	724,253				-	724,253
Unrestricted investment earnings	3,383,857				-	3,383,857
Other	1,472				-	1,472
Special item - loss on sale of assets	55,315				202	55,517
Total general revenues and special items	114,443				-	114,443
Change in net position	(19,356)				-	(19,356)
Net position beginning of year, as restated	7,534,788				202	7,534,990
Net position end of year	548,749				16,852	565,601
	6,070,439				183,994	6,254,433
	\$ 6,619,188				\$ 200,846	\$ 6,820,034

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Projects Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
Assets					
Cash, cash equivalents and pooled investments	\$2,354,618	\$1,237,178	\$ 2,066,120	\$ 552,365	\$ 6,210,281
Receivables					
Property tax					
Delinquent	20,770	-	-	4,718	25,488
Succeeding year	2,668,803	-	-	515,480	3,184,283
Accounts receivable	113,346	113,395	-	-	226,741
Income surtax	305,694	-	-	33,966	339,660
Due from other governments	36,888	-	-	49	36,937
Total assets	<u>\$5,500,119</u>	<u>\$1,350,573</u>	<u>\$ 2,066,120</u>	<u>\$ 1,106,578</u>	<u>\$ 10,023,390</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 103,456	\$ -	\$ -	\$ 1,702	\$ 105,158
Salaries and benefits payable	863,331	-	-	-	863,331
Total liabilities	<u>966,787</u>	<u>-</u>	<u>-</u>	<u>1,702</u>	<u>968,489</u>
Deferred inflows of resources					
Unavailable revenues					
Succeeding year property tax	2,668,803	-	-	515,480	3,184,283
Income surtax	305,694	-	-	33,966	339,660
Total deferred inflows of resources	<u>2,974,497</u>	<u>-</u>	<u>-</u>	<u>549,446</u>	<u>3,523,943</u>
Fund balances					
Restricted for:					
Categorical funding	218,986	-	-	-	218,986
Debt service	-	-	2,066,120	-	2,066,120
Management levy purposes	-	-	-	131,260	131,260
Student activities	-	-	-	47,099	47,099
Physical plant and equipment	-	1,350,573	-	377,071	1,727,644
Unassigned	1,339,849	-	-	-	1,339,849
Total fund balances	<u>1,558,835</u>	<u>1,350,573</u>	<u>2,066,120</u>	<u>555,430</u>	<u>5,530,958</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$5,500,119</u>	<u>\$1,350,573</u>	<u>\$ 2,066,120</u>	<u>\$ 1,106,578</u>	<u>\$ 10,023,390</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2015

Exhibit D

Total fund balances of governmental funds \$ 5,530,958

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 10,345,719

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 339,660

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (75,260)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 542,676	
Deferred inflows of resources	<u>(1,212,695)</u>	(670,019)

Long-term liabilities, including bonds payable, termination benefits, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (8,851,870)

Net position of governmental activities \$ 6,619,188

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

		Capital Projects Statewide			
	General	Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
Revenues					
Local sources					
Local tax	\$2,628,168	\$ -	\$ -	\$ 566,271	\$ 3,194,439
Tuition	668,604	-	-	-	668,604
Other	85,711	52,914	-	216,523	355,148
State sources	4,438,205	724,253	-	5,185	5,167,643
Federal sources	238,401	-	-	-	238,401
Total revenues	<u>8,059,089</u>	<u>777,167</u>	<u>-</u>	<u>787,979</u>	<u>9,624,235</u>
Expenditures					
Current					
Instruction					
Regular	3,464,166	42,084	-	90,870	3,597,120
Special	1,025,242	-	-	-	1,025,242
Other	1,006,387	-	-	119,981	1,126,368
	<u>5,495,795</u>	<u>42,084</u>	<u>-</u>	<u>210,851</u>	<u>5,748,730</u>
Support services					
Student	205,277	-	-	1,388	206,665
Instructional staff	324,591	-	-	26,218	350,809
Administration	845,748	16,377	-	17,745	879,870
Operation and maintenance of plant	504,070	2,675	-	104,725	611,470
Transportation	398,259	-	-	39,347	437,606
	<u>2,277,945</u>	<u>19,052</u>	<u>-</u>	<u>189,423</u>	<u>2,486,420</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,833</u>	<u>13,833</u>
Other expenditures					
Facilities acquisition	-	47,653	-	37,101	84,754
Long-term debt					
Interest and fiscal charges	-	-	152,020	-	152,020
AEA flowthrough	315,861	-	-	-	315,861
	<u>315,861</u>	<u>47,653</u>	<u>152,020</u>	<u>37,101</u>	<u>552,635</u>
Total expenditures	<u>8,089,601</u>	<u>108,789</u>	<u>152,020</u>	<u>451,208</u>	<u>8,801,618</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (30,512)	\$ 668,378	\$ (152,020)	\$ 336,771	\$ 822,617
Other financing sources (uses)					
Transfers in	-	-	2,218,140	-	2,218,140
Transfers out	-	(2,218,140)	-	-	(2,218,140)
Total other financing sources (uses)	-	(2,218,140)	2,218,140	-	-
Change in fund balances	(30,512)	(1,549,762)	2,066,120	336,771	822,617
Fund balance, beginning of year	<u>1,589,347</u>	<u>2,900,335</u>	<u>-</u>	<u>218,659</u>	<u>4,708,341</u>
Fund balance, end of year	<u>\$1,558,835</u>	<u>\$ 1,350,573</u>	<u>\$2,066,120</u>	<u>\$ 555,430</u>	<u>\$ 5,530,958</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Exhibit F

Change in fund balances - total governmental funds **\$ 822,617**

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 47,085	
Loss on disposal of capital assets	(19,356)	
Depreciation expense	<u>(510,174)</u>	(482,445)

Certain revenues not collected for several months after year end are not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 53,728

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(45,355)	
Pension expense	(218,554)	
Other postemployment benefits	<u>(35,007)</u>	(298,916)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 453,765

Change in net position of governmental activities **\$ 548,749**

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2015

Exhibit G

	Nonmajor Proprietary Funds
Assets	
Current assets	
Cash, cash equivalents	\$214,023
Accounts receivable	243
Inventories	<u>15,514</u>
Total current assets	229,780
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>167,463</u>
Total assets	<u>397,243</u>
 Deferred Outflows of Resources	
Pension related deferred outflows	<u>24,834</u>
 Liabilities	
Current liabilities	
Accounts payable	894
Salaries and benefits payable	<u>36,037</u>
Total current liabilities	36,931
Noncurrent liabilities	
Net pension liability	<u>125,910</u>
Total liabilities	<u>162,841</u>
 Deferred inflows of resources	
Unearned revenue	6,958
Pension related deferred inflows	<u>51,432</u>
	<u>58,390</u>
 Net Position	
Investment in capital assets	167,463
Unrestricted	<u>33,383</u>
Total net position	<u>\$200,846</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit H

	Nonmajor Proprietary Funds
Operating revenue	
Local sources	
Charges for service	<u>\$296,172</u>
Operating expenses	
Instruction - Preschool/Daycare program	
Regular	
Salaries	42,882
Benefits	7,629
Purchased services	-
Supplies	5,653
Depreciation	693
	<u>56,857</u>
Support services	
Instructional staff - Preschool/Daycare program	
Purchased services	<u>304</u>
Administration - Food Service operations	
Salaries	10,871
Benefits	878
Purchased services	1,480
	<u>13,229</u>
Non-instructional programs	
Food service operations	
Salaries	150,583
Benefits	26,493
Purchased services	4,199
Supplies	216,255
Depreciation	25,059
	<u>422,589</u>
Total operating expenses	<u>492,979</u>
Operating (loss)	<u>(196,807)</u>
Non-operating revenue	
Interest income	202
State sources	3,698
Federal sources	209,759
Total non-operating revenue	<u>213,659</u>
Change in net position	16,852
Net position beginning of year, as restated	183,994
Net position end of year	<u>\$200,846</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit I

	Nonmajor Proprietary Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 298,091
Cash paid to employees for services	(246,166)
Cash paid to suppliers for goods or services	(211,367)
Net cash (used by) operating activities	<u>(159,442)</u>
Cash flows from non-capital financing activities	
State grants received	3,698
Federal grants received	192,400
Net cash provided by non-capital financing activities	<u>196,098</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>202</u>
Net increase in cash and cash equivalents	36,858
Cash and cash equivalents, beginning of year	177,165
Cash and cash equivalents, end of year	<u><u>\$ 214,023</u></u>

**Reconciliation of operating (loss) to net cash
(used by) operating activities**

Operating (loss)	\$(196,807)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities	
Depreciation	25,752
Commodities used	17,359
Decrease in accounts receivable	657
(Increase) in inventory	(715)
(Increase) in deferred outflows of resources	(6,283)
Increase in accounts payable	768
Increase in accrued salaries and benefits	2,454
Increase in deferred revenue	1,262
(Decrease) in net pension liability	(54,432)
Increase in deferred inflows of resources	50,543
Net cash (used by) operating activities	<u><u>\$(159,442)</u></u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2015, the District received \$17,359 of federal commodities.

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$2,500
Liabilities	
Accounts payable	<u>-</u>
Net position	<u><u>\$2,500</u></u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$2,500
Deductions	
Instruction, regular	
Scholarships	<u>2,000</u>
Change in net position	500
Net position beginning of year	<u>2,000</u>
Net position end of year	<u><u>\$2,500</u></u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The Louisa-Muscatine Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and a preschool/daycare program. The geographic area served includes the Cities of Letts, Grandview and Fruitland, Iowa, and the agricultural territory in Louisa and Muscatine Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Louisa-Muscatine Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Louisa County and Muscatine County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Project - Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, the District reports two non-major proprietary funds. The School Nutrition Fund is used to account for the food service operation of the District. The Daycare & Preschool Fund is used to account for the operations of

the District's preschool and daycare programs.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits, claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust and The Education Liquidity Fund Institutional Money Market Fund, which are valued at amortized cost under the Investment Company Act of 1940.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The Education Liquidity Fund Institutional Money Market Fund is a "money market fund" that seeks to maintain a stable net asset value of \$1.00 per share. The Fund qualifies as a legal investment for the District under Iowa Law.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will

not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$3,500
Buildings	\$3,500
Improvements other than buildings	\$3,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$3,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	5-40 years
Improvements other than buildings	15-20 years
Intangibles	5-10 years
Furniture and equipment	3-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Unearned Revenue - Unearned revenue consists of student meal charges collected but the meal has not yet been served.

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement termination benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The termination benefit liability has been computed based on rates of pay in effect at June 30, 2015. The termination benefit liability attributable to the governmental activities will be paid primarily from the Management Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and income surtax receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of

the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classification.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations or other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$411,037 for physical plant and equipment, \$47,099 for student activities and \$1,350,573 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amount budgeted in the Other Expenditures function.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor governmental Debt service	Capital Projects Statewide sales, services and use tax	\$ 2,218,140

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expand the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for future payment of principal and interest on long-term debt.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 90,976	\$ -	\$ -	\$ 90,976
Construction in progress	-	33,286	-	33,286
Total capital assets, not being depreciated	<u>90,976</u>	<u>33,286</u>	<u>-</u>	<u>124,262</u>
Capital assets being depreciated:				
Buildings and improvements	18,543,313	-	-	18,543,313
Improvements other than buildings	1,081,336	13,799	-	1,095,135
Furniture and equipment	<u>1,892,645</u>	<u>-</u>	<u>(77,422)</u>	<u>1,815,223</u>
Total capital assets being depreciated	<u>21,517,294</u>	<u>13,799</u>	<u>(77,422)</u>	<u>21,453,671</u>
Less accumulated depreciation for:				
Buildings and improvements	8,488,552	407,272	-	8,895,824
Improvements other than buildings	833,355	26,870	-	860,225
Furniture and equipment	<u>1,458,199</u>	<u>76,032</u>	<u>(58,066)</u>	<u>1,476,165</u>
Total accumulated depreciation	<u>10,780,106</u>	<u>510,174</u>	<u>(58,066)</u>	<u>11,232,214</u>
Total capital assets being depreciated, net	<u>10,737,188</u>	<u>(496,375)</u>	<u>(19,356)</u>	<u>10,221,457</u>
Governmental activities capital assets, net	<u>\$ 10,828,164</u>	<u>\$ (463,089)</u>	<u>\$ (19,356)</u>	<u>\$ 10,345,719</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 434,462	\$ -	\$ -	\$ 434,462
Less accumulated depreciation	<u>241,247</u>	<u>25,752</u>	<u>-</u>	<u>266,999</u>
Business type activities capital assets, net	<u>\$ 193,215</u>	<u>\$ (25,752)</u>	<u>\$ -</u>	<u>\$ 167,463</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 10,330
Other	969
Support services	
Administration	7,769
Operation and maintenance of plant	12,825
Transportation	<u>44,138</u>
	76,031
Unallocated depreciation	<u>434,143</u>
Total governmental activities depreciation expense	<u>\$ 510,174</u>

Business type activities

Food services	\$ 25,060
Preschool	<u>692</u>
Total business type activities depreciation expense	<u>\$ 25,752</u>

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities:					
QSCB revenue bonds	\$ 5,300,000	\$ -	\$ -	\$ 5,300,000	\$ -
Termination benefits	126,359	120,000	(74,645)	171,714	74,645
Net pension liability	4,607,524	-	(1,379,197)	3,228,327	-
Net OPEB liability	<u>116,822</u>	<u>40,526</u>	<u>(5,519)</u>	<u>151,829</u>	<u>-</u>
Totals	<u>\$ 10,150,705</u>	<u>\$ 160,526</u>	<u>\$(1,459,361)</u>	<u>\$ 8,851,870</u>	<u>\$ 74,645</u>
Business type activities:					
Net pension liability	<u>\$ 180,342</u>	<u>\$ -</u>	<u>\$ (54,432)</u>	<u>\$ 125,910</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$150,520 for the year ended June 30, 2015. Payments on the revenue bonds are made from the Statewide Sales, Services and Use Tax Fund.

Termination Benefits

During the fiscal year ended June 30, 2015, the District offered a voluntary early retirement plan to its certified employees, who met certain eligibility guidelines. This voluntary early retirement plan was offered only for the 2014-2015 school year. Eligible employees were required to be at least age fifty-five and have completed twenty years of consecutive contracted full-time service to the District. Employees were required to complete an application, which was approved by the Board of Education. Benefits were based on one-half of the retiring employee's placement on the salary schedule (excluding extra duty increments, phase monies or extended contracts) up to \$30,000. Benefits are paid in five equal installments over five fiscal years, beginning with the year ending June 30, 2016. Actual termination benefit expenditures for the year ended June 30, 2014 were \$74,645. At June 30, 2015, the District had obligations to nine participants totaling of \$171,714. This long-term liability is generally liquidated with funds from the Management Levy.

QSCB Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of November 17, 2009			
	Interest Rates	Interest	Principal	Total
2016	2.84	\$ 150,520	\$ -	\$ 150,520
2017	2.84	150,520	-	150,520
2018	2.84	150,520	-	150,520
2019	2.84	150,520	-	150,520
2020	2.84	150,520	-	150,520
2021-2025	2.84	<u>677,340</u>	<u>5,300,000</u>	<u>5,977,340</u>
Totals		<u>\$ 1,429,940</u>	<u>\$ 5,300,000</u>	<u>\$ 6,729,940</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,300,000 of bonds issued in November 2009. The bonds were issued for the purpose of financing a portion of the costs of a geothermal system and remodeling project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 30 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,729,940. For the current year, no principal was paid on the bonds; however, \$150,520 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$724,253.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) Proceeds of the bonds were deposited into the Project Account, which was used to finance the construction project. Interest earned by the Project Account shall remain in the Project Account and be spent in accordance with the resolution and applicable provisions of the Code.
- b) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.
- e) \$225,531 of the proceeds from issuance of the revenue bonds shall be deposited to the sinking account to be used solely for the purpose of paying principals and interest on the bonds if insufficient money is available in the revenue account.

Note 6. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$471,675.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$3,354,237 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.081937 percent, which was a decrease of 0.00195 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$235,210. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 36,039	\$ -
Changes of assumptions	146,342	-
Net difference between projected and actual earnings on pension plan investments	-	1,264,127
Changes in proportion and differences between District contributions and proportionate share of contributions	(86,538)	-
District contributions subsequent to the measurement date	<u>471,667</u>	<u>-</u>
Total	<u>\$ 567,510</u>	<u>\$ 1,264,127</u>

\$471,667 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (293,638)
2017	(293,638)
2018	(293,638)
2019	(293,638)
2020	<u>6,268</u>
Total	<u>\$ (1,168,284)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by Membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$6,265,609	\$3,354,237	\$826,342

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$63,832 for legally required employer contributions and \$42,531 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 200 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. Upon retirement, the retired participant is assumed to pay 100 percent of the required premium. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 43,864
Interest on net OPEB obligation	2,921
Adjustment to annual required contribution	<u>(6,259)</u>
Annual OPEB cost	40,526
Contributions made	<u>(5,519)</u>
Increase in net OPEB obligation	35,007
Net OPEB obligation beginning of year	<u>116,822</u>
Net OPEB obligation end of year	<u>\$ 151,829</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$5,519 to the medical plan. Plan members eligible for benefits contributed \$5,000 or 60% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$ 24,031	34.8%	\$ 15,676
2011	\$ 24,122	34.5%	\$ 31,477
2012	\$ 23,868	34.9%	\$ 47,024
2013	\$ 35,364	9.4%	\$ 84,340
2014	\$ 36,828	11.8%	\$ 116,822
2015	\$ 40,526	13.6%	\$ 151,829

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$251,768, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,768. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.1 million and the ratio of UAAL to covered payroll was 4.9%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required

Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected premiums of the medical plan vary for family and single individuals and for different deductibles. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$315,861 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Related Party Transactions

During the year ended June 30, 2015, the District entered into business transactions totaling \$3,195 with Kemp and Son, Inc., a company partly owned by Board President Angie Kemp. The transactions were for snow removal and repairs and were entered into through the competitive bidding process.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program

Home school assistance program	\$ 220
At-risk	66,183
Returning dropout and dropout prevention program	32,191
Beginning teacher mentoring and induction program	536
Teacher salary supplement	2,219
Class size reduction	27,402
Statewide voluntary preschool	62,739
Early literacy grant	4,622
Educator quality, professional development for model core curriculum	44
Educator quality, professional development	18,628
Teacher leadership grant	4,202
	<u>\$ 218,986</u>

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 10,203,996	\$ 346,675
Net pension liability at June 30, 2014	(4,607,524)	(180,342)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>473,967</u>	<u>17,661</u>
Net position July 1, 2014, as restated	<u>\$ 6,070,439</u>	<u>\$ 183,994</u>

Note 14. Construction Commitment

The District began a roof-replacement project in July 2015. At June 30, 2015 the District had not entered into any contracts for the project. The project is expected to be completed in the fall of 2015.

Note 15. Deficit Fund Balances

The District had negative unrestricted net position at June 30, 2015 in the Governmental Activities and School Nutrition Fund of \$2,445,086 and \$23,011, respectively.

Required Supplementary Information

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 4,218,191	\$ 296,374	\$ 4,514,565	\$ 4,305,450	\$ 4,305,450	\$ 209,115
State sources	5,167,643	3,698	5,171,341	5,058,318	5,058,318	113,023
Federal sources	238,401	209,759	448,160	482,276	482,276	(34,116)
Total revenues	<u>9,624,235</u>	<u>509,831</u>	<u>10,134,066</u>	<u>9,846,044</u>	<u>9,846,044</u>	<u>288,022</u>
Expenditures/Expenses						
Instruction	5,748,730	56,857	5,805,587	6,208,014	6,208,014	402,427
Support services	2,486,420	13,533	2,499,953	2,849,090	2,849,090	349,137
Non-instructional programs	13,833	422,589	436,422	572,772	572,772	136,350
Other expenditures	552,635	-	552,635	544,767	544,767	(7,868)
Total expenditures/expenses	<u>8,801,618</u>	<u>492,979</u>	<u>9,294,597</u>	<u>10,174,643</u>	<u>10,174,643</u>	<u>880,046</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	822,617	16,852	839,469	(328,599)	(328,599)	1,168,068
Net other financing (uses)	-	-	-	(153,020)	(153,020)	153,020
Excess (deficiency) of revenues over (under) expenditures/expenses and other financing (uses)	822,617	16,852	839,469	(481,619)	(481,619)	1,321,088
Balance, beginning of year, as restated	4,708,341	197,446	4,905,787	4,746,322	4,746,322	159,465
Balance, end of year	<u>\$ 5,530,958</u>	<u>\$ 214,298</u>	<u>\$ 5,745,256</u>	<u>\$ 4,264,703</u>	<u>\$ 4,264,703</u>	<u>\$ 1,480,553</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	.081937%
District's proportionate share of the net pension liability	\$ 3,354,237
District's covered-employee payroll	\$ 5,281,915
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.50%
Plan fiduciary net position as a percetnage of the total pension liability	87.61%

*The amounts preseneted for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 471,675	\$ 488,593	\$ 471,054	\$ 428,608	\$ 369,429	\$ 355,490	\$ 340,455	\$ 310,837	\$ 274,805	\$ 265,027
Contributions in relation to the statutorily required contribution	<u>(471,675)</u>	<u>(488,593)</u>	<u>(471,054)</u>	<u>(428,608)</u>	<u>(369,429)</u>	<u>(355,490)</u>	<u>(340,455)</u>	<u>(310,837)</u>	<u>(274,805)</u>	<u>(265,027)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$5,281,915	\$5,471,366	\$5,433,149	\$5,311,128	\$5,315,525	\$5,345,714	\$5,361,496	\$5,137,802	\$4,779,217	\$4,609,165
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Pension Liability
For the Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Pension Liability
For the Year Ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$209,184	\$209,184	\$ -	\$5,348,845	3.9%
2011	July 1, 2009	-	209,184	209,184	-	5,541,441	3.8%
2012	July 1, 2009	-	209,184	209,184	-	5,367,898	3.9%
2013	July 1, 2012	-	264,019	264,019	-	5,276,769	5.0%
2014	July 1, 2012	-	251,768	251,768	-	7,127,875	3.5%
2015	July 1, 2012	-	251,768	251,768	-	5,102,364	4.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$47,099	\$ 130,187	\$ 375,079	\$ 552,365
Receivables				
Property tax				
Delinquent	-	2,746	1,972	4,718
Succeeding year	-	169,999	345,481	515,480
Income surtax	-	-	33,966	33,966
Due from other governments	-	29	20	49
Total assets	<u>\$47,099</u>	<u>\$ 302,961</u>	<u>\$ 756,518</u>	<u>\$ 1,106,578</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 1,702	\$ -	\$ 1,702
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	-	169,999	345,481	515,480
Income surtax	-	-	33,966	33,966
Total deferred inflows of resources	<u>-</u>	<u>169,999</u>	<u>379,447</u>	<u>549,446</u>
Fund balances				
Restricted for				
Student activities	47,099	-	-	47,099
Management levy purposes	-	131,260	-	131,260
Physical plant and equipment	-	-	377,071	377,071
Total fund balances	<u>47,099</u>	<u>131,260</u>	<u>377,071</u>	<u>555,430</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$47,099</u>	<u>\$ 302,961</u>	<u>\$ 756,518</u>	<u>\$ 1,106,578</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ -	\$ 310,054	\$ 256,217	\$ 566,271
Other	130,113	8,748	77,662	216,523
State sources	-	3,027	2,158	5,185
Total revenues	<u>130,113</u>	<u>321,829</u>	<u>336,037</u>	<u>787,979</u>
Expenditures				
Current				
Instruction				
Regular	-	80,442	10,428	90,870
Other	<u>119,981</u>	<u>-</u>	<u>-</u>	<u>119,981</u>
Total instruction	<u>119,981</u>	<u>80,442</u>	<u>10,428</u>	<u>210,851</u>
Support services				
Student	-	1,388	-	1,388
Instructional staff	-	26,218	-	26,218
Administration	-	13,549	4,196	17,745
Operation and maintenance of plant	-	99,915	4,810	104,725
Transportation	<u>-</u>	<u>39,347</u>	<u>-</u>	<u>39,347</u>
Total support services	<u>-</u>	<u>180,417</u>	<u>9,006</u>	<u>189,423</u>
Non-instructional programs	<u>-</u>	<u>13,833</u>	<u>-</u>	<u>13,833</u>
Other expenditures				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>37,101</u>	<u>37,101</u>
Total expenditures	<u>119,981</u>	<u>274,692</u>	<u>56,535</u>	<u>451,208</u>
Change in fund balances	10,132	47,137	279,502	336,771
Fund balances, beginning of year	<u>36,967</u>	<u>84,123</u>	<u>97,569</u>	<u>218,659</u>
Fund balances, end of year	<u>\$47,099</u>	<u>\$ 131,260</u>	<u>\$377,071</u>	<u>\$ 555,430</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015

Schedule 3

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash, cash equivalents	\$ 119,330	\$ 94,693	\$214,023
Accounts receivable	243	-	243
Inventories	<u>15,514</u>	<u>-</u>	<u>15,514</u>
Total current assets	135,087	94,693	229,780
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>166,770</u>	<u>693</u>	<u>167,463</u>
Total assets	<u>301,857</u>	<u>95,386</u>	<u>397,243</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>19,577</u>	<u>5,257</u>	<u>24,834</u>
Liabilities			
Current liabilities			
Accounts payable	105	789	894
Salaries and benefits payable	<u>30,811</u>	<u>5,226</u>	<u>36,037</u>
Total liabilities	<u>30,916</u>	<u>6,015</u>	<u>36,931</u>
Noncurrent liabilities			
Net pension liability	<u>99,256</u>	<u>26,654</u>	<u>125,910</u>
Total liabilities	<u>130,172</u>	<u>32,669</u>	<u>162,841</u>
Deferred inflows of resources			
Unearned revenue	6,958	-	6,958
Pension related deferred inflows	<u>40,545</u>	<u>10,887</u>	<u>51,432</u>
	<u>47,503</u>	<u>10,887</u>	<u>58,390</u>
Net Position			
Investment in capital assets	166,770	693	167,463
Unrestricted	<u>(23,011)</u>	<u>56,394</u>	<u>33,383</u>
Total net position	<u>\$ 143,759</u>	<u>\$ 57,087</u>	<u>\$200,846</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

Schedule 4

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 232,120	\$ 64,052	\$ 296,172
Operating expenses			
Instruction			
Regular			
Salaries	-	42,882	42,882
Benefits	-	7,629	7,629
Purchased services	-	-	-
Supplies	-	5,653	5,653
Miscellaneous	-	100	100
Depreciation	-	693	693
	<u>-</u>	<u>56,957</u>	<u>56,957</u>
Support services			
Instructional staff			
Purchased services	-	304	304
Administration			
Salaries	10,871	-	10,871
Benefits	878	-	878
Purchased services	1,480	-	1,480
	<u>13,229</u>	<u>-</u>	<u>13,229</u>
Transportation			
Miscellaneous	-	789	789
Non-instructional programs			
Food service operations			
Salaries	150,583	-	150,583
Benefits	26,493	-	26,493
Purchased services	4,199	-	4,199
Supplies	216,255	-	216,255
Property	-	-	-
Miscellaneous	-	-	-
Depreciation	25,059	-	25,059
	<u>422,589</u>	<u>-</u>	<u>422,589</u>
Total operating expenses	<u>435,818</u>	<u>58,050</u>	<u>493,868</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

Schedule 4

	<u>School Nutrition</u>	<u>School Nutrition</u>	<u>Total</u>
Operating income (loss)	<u>(203,698)</u>	<u>6,002</u>	<u>(197,696)</u>
Non-operating revenue			
Interest income	105	97	202
State sources	3,698	-	3,698
Federal sources	<u>209,759</u>	<u>-</u>	<u>209,759</u>
Total non-operating revenue	<u>213,562</u>	<u>97</u>	<u>213,659</u>
Change in net position	9,864	6,099	15,963
Net position, beginning of year as restated	<u>133,895</u>	<u>63,551</u>	<u>197,446</u>
Net position, end of year	<u>\$ 143,759</u>	<u>\$ 69,650</u>	<u>\$ 213,409</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

Schedule 5

	<u>School</u> <u>Nutrition</u>	<u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 233,139	\$ 64,952	\$ 298,091
Cash payments to employees for services	(193,132)	(53,034)	(246,166)
Cash payments to suppliers for goods and services	(205,310)	(6,057)	(211,367)
Net cash provided by (used by) operating activities	<u>(165,303)</u>	<u>5,861</u>	<u>(159,442)</u>
Cash flows from non-capital financing activities			
State grants received	3,698	-	3,698
Federal grants received	192,400	-	192,400
Net cash provided by non-capital financing activities	<u>196,098</u>	<u>-</u>	<u>196,098</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	105	97	202
Net increase in cash and cash equivalents	30,900	5,958	36,858
Cash and cash equivalents, beginning of year	88,430	88,735	177,165
Cash and cash equivalents, end of year	<u>\$ 119,330</u>	<u>\$ 94,693</u>	<u>\$ 214,023</u>

Reconciliation of operating income (loss) to net cash provided by (used by) operating activities

Operating income (loss)	\$ (203,698)	\$ 6,002	\$ (197,696)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities			
Depreciation	25,059	693	25,752
Commodities used	17,359	-	17,359
(Increase) decrease in accounts receivable	(243)	900	657
(Increase) in inventory	(715)	-	(715)
(Increase) in deferred outflows of resources	(4,953)	(1,330)	(6,283)
Increase (decrease) in accounts payable	(20)	788	768
Increase (decrease) in accrued salaries and benefits	3,011	(557)	2,454
Increase in deferred revenue	1,262	-	1,262
(Decrease) in net pension liability	(42,910)	(11,522)	(54,432)
Increase in deferred inflows of resources	40,545	10,887	51,432
Net cash provided by (used by) operating activities	<u>\$ (165,303)</u>	<u>\$ 5,861</u>	<u>\$ (159,442)</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2015, the District received \$17,359 of federal commodities.

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ (3,748)	\$ 70,192	\$ 63,858	\$ 4,044	\$ 6,630
Cheerleading	-	-	-	-	-
Athletic fundraising	-	50	-	(50)	-
Athletic resale	-	-	-	-	-
Cheerleading fundraising	1,991	3	1	(1,993)	-
Cheerleading resale	-	4,113	4,113	-	-
Ads and posters	-	2,959	1,098	(1,861)	-
Jr high	1,337	947	2,026	-	258
Elementary activity	5,588	5,727	5,352	-	5,963
Concessions	5,952	75	690	(250)	5,087
FFA	708	-	1,178	2,309	1,839
FFA Greenhouse	2,000	-	-	-	2,000
Band	6,309	5,298	5,854	-	5,753
Speech	327	175	258	(24)	220
Drama	2,519	1,213	1,163	-	2,569
Student council	883	1,990	1,311	-	1,562
Yearbook	4,884	1,769	2,759	-	3,894
Quiz bowl	268	-	-	-	268
Vocal music	(316)	2,944	1,364	-	1,264
Music	3,987	23,426	19,224	-	8,189
TAG	1,171	-	-	-	1,171
Senior class	233	3,749	3,816	-	166
NHS	683	5,249	5,916	250	266
Interest	-	56	-	(56)	-
FFA Vending	2,191	178	-	(2,369)	-
Totals	<u>\$ 36,967</u>	<u>\$ 130,113</u>	<u>\$ 119,981</u>	<u>\$ -</u>	<u>\$ 47,099</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

Modified Accrual Basis

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Local sources										
Local tax	\$3,194,439	\$3,033,379	\$3,643,808	\$4,216,818	\$ 4,075,409	\$ 3,943,319	\$4,132,933	\$4,000,876	\$3,931,457	\$3,909,874
Tuition	668,604	622,398	574,429	793,894	772,734	785,368	860,156	757,169	553,573	553,280
Other	355,148	296,607	395,161	242,588	472,850	251,793	426,907	417,193	336,277	283,281
State sources	5,167,643	4,648,650	4,143,981	4,154,161	4,093,480	3,409,681	4,057,811	4,510,165	3,964,926	3,659,560
Federal sources	238,401	260,492	308,284	403,626	379,225	682,620	289,315	161,365	193,488	182,377
Total revenues	<u>\$9,624,235</u>	<u>\$8,861,526</u>	<u>\$9,065,663</u>	<u>\$9,811,087</u>	<u>\$ 9,793,698</u>	<u>\$ 9,072,781</u>	<u>\$9,767,122</u>	<u>\$9,846,768</u>	<u>\$8,979,721</u>	<u>\$8,588,372</u>
Expenditures										
Current										
Instruction										
Regular	\$3,597,120	\$3,727,066	\$4,070,898	\$3,619,438	\$ 3,596,252	\$ 3,778,375	\$3,868,239	\$3,919,409	\$3,498,070	\$3,231,244
Special	1,025,242	836,000	1,014,795	980,475	1,000,414	881,135	939,238	871,910	868,993	722,969
Other	1,126,368	1,097,505	750,441	1,156,680	1,159,407	1,091,537	1,016,267	677,268	750,354	771,639
Support services										
Student	206,665	203,436	195,925	193,748	217,232	247,448	208,830	212,602	202,923	196,937
Instructional staff	350,809	474,649	459,465	354,429	355,953	341,147	313,337	288,542	409,712	423,431
Administration	879,870	909,643	874,105	833,084	788,504	798,346	760,514	801,954	651,981	705,263
Operation and maintenance of plant	611,470	605,175	597,112	588,528	591,088	654,292	658,326	707,958	653,872	598,758
Transportation	437,606	597,603	419,487	491,549	377,921	459,268	483,092	503,815	624,877	447,702
Central support	-	-	-	1	-	2,264	467	-	-	-
Non-instructional programs	13,833	11,772	10,505	9,641	8,112	7,403	8,403	-	-	162
Other expenditures										
Facilities acquisition	84,754	129,449	46,376	351,799	1,213,204	4,662,706	283,477	159,735	290,843	300,390
Long-term debt										
Principal	-	-	-	-	410,000	461,337	830,000	500,000	470,000	445,000
Interest and other charges	152,020	152,020	153,020	152,021	191,367	40,650	79,970	103,833	127,232	148,857
AEA flowthrough	315,861	310,017	300,322	301,360	333,886	330,730	311,337	308,167	278,396	259,272
Total expenditures	<u>\$8,801,618</u>	<u>\$9,054,335</u>	<u>\$8,892,451</u>	<u>\$9,032,753</u>	<u>\$10,243,340</u>	<u>\$13,756,638</u>	<u>\$9,761,497</u>	<u>\$9,055,193</u>	<u>\$8,827,253</u>	<u>\$8,251,624</u>

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Louisa-Muscatine Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Louisa-Muscatine Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 27, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Louisa-Muscatine Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisa-Muscatine Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Louisa-Muscatine Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisa-Muscatine Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Louisa-Muscatine Community School District's Responses to the Findings

Louisa-Muscatine Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Louisa-Muscatine Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Louisa-Muscatine Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 27, 2016

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Part I. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in accordance with Chapter 24.9 of the Code of Iowa to ensure that it is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

4. Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Angie Kemp, board member part owner of Kemp & Son, Inc.	snow removal and repairs	\$3,195

The transactions with Board Member Kemp's business do not appear to represent a conflict of interest since they were competitively bid, as allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will review the situation.

Conclusion- Response accepted.

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - One variance regarding the supplementary weighting certified to the Iowa Department of Education was noted. Weighted enrollment was overstated by 1.31 due to the District including concurrent classes that were not allowable for supplementary weighting.

Recommendation - The District should contact the Iowa Department of Management and the Iowa Department of Education to resolve this issue.

Response - We have contacted the Iowa Department of Management and the Iowa Department of Education, as recommended.

Conclusion - Response accepted.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,900,335
Revenues		
Statewide sales and services tax revenue	\$ 724,253	
Other local revenues	<u>52,914</u>	777,167
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 43,168	
Equipment	65,621	
Debt service for school infrastructure		
Revenue debt	<u>2,218,140</u>	<u>2,326,929</u>
Ending balance		<u>\$ 1,350,573</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Financial Condition - The District had negative unrestricted net position at June 30, 2015 in the Governmental Activities and School Nutrition Fund of \$2,445,086 and \$23,011, respectively.

Recommendation - The District should investigate these net position balances and consider potential action to return them to good financial condition.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Response - These negatives were a result of implementing GASB 68 and accounting for pension related expenses during the year ended June 30, 2015. We will continue to monitor these accounts.

Conclusion - Response accepted.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2015

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant